

Auditing Procedures Report

Issued under Public Act 2 of 1968, as amended.

Unit Name	City of Coleman	County	MIDLAND	Type	CITY	MuniCode	56-2-010
Opinion Date	August 22, 2008	Audit Submitted		Fiscal Year	June 30, 2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="559117"/>
General Fund Expenditure:	<input type="text" value="495212"/>
Major Fund Deficit Amount:	<input type="text" value="0"/>

General Fund Balance:	<input type="text" value="285136"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="899"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Gerald	Last Name	Desloover	Ten Digit License Number	1101007126				
CPA Street Address	5800 Gratiot	City	Saginaw	State	MI	Zip Code	48605	Telephone	(989) 799-9580
CPA Firm Name	Rehmann Robson	Unit's Street Address	201 E Railway St	City	Coleman	Zip Code	48618		

City of Coleman

Coleman, Michigan

Financial Statements

For the Year Ended June 30, 2008

CITY OF COLEMAN

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CITY OF COLEMAN

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INDEPENDENT AUDITORS' REPORT



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP

INDEPENDENT AUDITORS' REPORT

August 22, 2008

To the City Council
City of Coleman
Coleman, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **City of Coleman**, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of **City of Coleman**, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons of the General and Major Streets Governmental Funds for the year then ended in conformity with accounting principles general accepted in the United States of America.

The Management's Discussion and Analysis listed in the table of contents on pages 3-6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise ***City of Coleman***'s basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Loborn". The signature is written in a cursive style with a large, stylized 'L' at the beginning.

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF COLEMAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2008

CONCEPTUAL INFORMATION ABOUT THE CITY'S FINANCIAL STATEMENTS

The primary government is presented in two categories, governmental activities and business-type activities. Governmental activities consolidate all general and other governmental funds. This reflects the City of Coleman as a whole that is inclusive of all general operating, special revenue and capital project funds. Business-type activities are limited to the Sanitary Sewer Fund, the Water Fund and Senior Housing Fund. As the audit report progresses, these categories are presented as individual funds indicating separate fund activities that make up the total governmental and business-type presentation. The statement of net assets gives you a combined City total of assets net of debt with the difference as a statement of equity or net assets. The City of Coleman has adopted a \$5,000 threshold for capitalizing assets. Assets costing less than \$5,000 are expensed in the year they are purchased.

FINANCIAL HIGHLIGHTS

The City of Coleman's assets exceed its liabilities at the close of the most recent fiscal year by \$4,994,181 (net assets). Of this amount \$2,490,558 may be used to meet the City's continuing obligations to citizens and creditors.

The City's total net assets increased by \$879,405 during the 2007-2008 fiscal year.

At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$511,678, an increase of \$87,989 from the beginning of the year fund balance.

For the fiscal year ended June 30, 2008, General Fund revenues exceeded expenditures after transfers out by \$54,905.

The following tables represent an analysis of the City of Coleman's Net Assets. Comparative data is included.

CITY OF COLEMAN'S NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Current and other assets	\$ 540,977	\$ 607,149	\$ 937,631	\$ 2,046,078	\$ 1,478,608	\$ 2,653,227
Capital Assets	1,101,036	1,072,240	1,639,199	2,049,628	2,740,235	3,121,868
Total assets	1,642,013	1,679,389	2,576,830	4,095,706	4,218,843	5,775,095
Accounts payable and accrued expenses	48,113	45,224	14,910	75,690	63,023	120,914
Non-current liabilities	41,044	-	-	660,000	41,044	660,000
Total liabilities	89,157	45,224	14,910	735,690	104,067	780,914
Net assets:						
Invested in capital assets, net of related debt	1,041,243	1,071,341	1,639,199	1,389,628	2,680,442	2,460,969
Restricted	40,619	42,654	-	-	40,619	42,654
Unrestricted	470,994	520,170	922,721	1,970,388	1,393,715	2,490,558
Total net assets	<u>\$ 1,552,856</u>	<u>\$ 1,634,165</u>	<u>\$ 2,561,920</u>	<u>\$ 3,360,016</u>	<u>\$ 4,114,776</u>	<u>\$ 4,994,181</u>

CITY OF COLEMAN'S CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total	
	2007	2008	2007	2008	2007	2008
Revenues:						
Program revenues:						
Charges for services	\$ 83,022	\$ 101,545	\$ 373,243	\$ 378,095	\$ 456,265	\$ 479,640
Operating grants and contributions	5,205	5,267	-	-	5,205	5,267
General revenues:						
Property taxes	460,545	470,556	-	-	460,545	470,556
Grants and contributions not restricted to specific programs	166,929	160,529	-	-	166,929	160,529
Unrestricted investment earnings	6,251	7,469	30,725	55,865	36,976	63,334
Miscellaneous	4,492	44,954	51,126	815,158	55,618	860,112
Total revenues	726,444	790,320	455,094	1,249,118	1,181,538	2,039,438
Expenses:						
General Government	179,961	173,809	-	-	179,961	173,809
Public Safety	172,808	171,365	-	-	172,808	171,365
Public Works	117,396	142,150	-	-	117,396	142,150
Culture and recreation	37,255	36,695	-	-	37,255	36,695
General Services	187,901	173,280	-	-	187,901	173,280
Interest on debt	5,110	11,712	-	-	5,110	11,712
Sewer	-	-	136,760	150,672	136,760	150,672
Water	-	-	162,793	132,352	162,793	132,352
Senior Housing	-	-	138,103	167,998	138,103	167,998
Total expenses	700,431	709,011	437,656	451,022	1,138,087	1,160,033
Change in net assets	26,013	81,309	17,438	798,096	43,451	879,405
Net assets, beginning of year	1,526,843	1,552,856	2,544,482	2,561,920	4,071,325	4,114,776
Net assets, end of year	<u>\$ 1,552,856</u>	<u>\$ 1,634,165</u>	<u>\$ 2,561,920</u>	<u>\$ 3,360,016</u>	<u>\$ 4,114,776</u>	<u>\$ 4,994,181</u>

In the current year, the City began construction on the expansion of the Senior Housing Complex. This expansion was funded in part by the issuance of revenue bonds in the amount of \$660,000 and through local grants of approximately \$800,000, which accounts for the increase in revenues in the business-type activities.

Although the city increased rates for water and sewer services in the 2006-2007 year, these funds continue to struggle. Rising employee costs, supply costs and utility costs as well as the maintenance costs associated with aging systems makes it increasingly difficult to meet expenses on the revenue generated by these systems. This has made it nearly impossible to save for future maintenance and/or expansion of these systems. Because of this, sewer rates have been increased again by the City effective July 1, 2008.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The City of Coleman's tax base continues to be single-family residences. Although the City's valuation continues to increase it also continues to be necessary to levy the maximum allowable mileage (after the Headlee rollback). Property owners have been delaying payment of property taxes until nearer the due date. It has been getting more difficult for the City to meet financial obligations at the beginning of the fiscal year because of this. But accelerated tax foreclosure on delinquent properties appears to have made tax payers more diligent about paying property taxes prior to them being turned over to the county. Decreases in state revenue sharing payments continue to impact the City's operations as well.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues from all sources increased from \$503,346 at the 2007 year end to \$559,117 at the 2008 year end. General Fund expenditures decreased from \$524,751 at the 2007 year end to \$495,212 at the 2008 year end. Expenditures decreased in the General Fund in the current year because the City paid off a lease for a vehicle in 2007.

The original budget for the General Fund was amended during the year for an increase in tax revenue. Actual revenues were under budget for the year, largely in charges for services. Most expense areas were under budget also, with the largest variance in the public safety function.

CAPITAL ASSETS

As reported on prior year's Management's Discussion and Analysis, the City of Coleman has purchased several new pieces of equipment to replace equipment that has been used past its useful life. The City makes every attempt to pay off balances owed on this equipment as quickly as financially possible. It is finally felt that we have equipment in good repair and are able to do necessary jobs without major expenses for repair. The costs of maintenance of equipment should continue to be manageable in upcoming fiscal years due to these new equipment purchases. The City of Coleman continues to have a capitalization threshold of \$5,000 or more. This means investment in assets of less than \$5,000 is expensed in the year they are acquired.

CITY OF COLEMAN'S CAPITAL ASSETS
(net of depreciation)

	Governmental Activities	Business-type Activities	Total
Land	\$ 377,008	\$ 67,016	\$ 444,024
Construction in progress	-	498,415	498,415
Buildings	120,811	251,419	372,230
Infrastructure	292,981	-	292,981
Public safety	8,605	-	8,605
Machinery and equipment	272,835	2,163	274,998
Senior housing complex	-	1,027,369	1,027,369
Collection and disposal system	-	203,246	203,246
Total	<u>\$ 1,072,240</u>	<u>\$ 2,049,628</u>	<u>\$ 3,121,868</u>

Further information on the City's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

Long-term debt for the business-type activities increased in the current year due to the issuance of revenue bonds for the expansion of the senior housing complex in the amount of \$660,000. Long-term debt in the future should decline due to pay off of equipment and payments made on the revenue bond. No new equipment purchases are currently planned. The City strives to pay off debt as quickly as possible and in many cases pays balances owed prior to pay off dates. Further information on the City's long-term debt can be found in the notes to the financial statements.

THE CITY OF COLEMAN'S FINANCIAL FUTURE

The City spends conservatively. Cost for health care, utilities etc. continue to rise. The City maintains its facilities but struggles to provide services to its citizens at the same level as past years. The police department strives to maintain the current level of services to City of Coleman residents as revenue sharing payments decline. Growth in the City has been slow but the City hopes for new business and industry. Expanding our tax base past single-family homes needs to be a prime objective. The City hopes to have businesses in an as yet undeveloped industrial park in the near future.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Coleman's finances. Question concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Coleman Treasurer, P.O. Box 504, Coleman, Michigan 48618.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF COLEMAN
STATEMENT OF NET ASSETS

JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 534,699	\$ 1,979,751	\$ 2,514,450
Receivables	49,355	64,902	114,257
Internal balances	7,200	(7,200)	-
Prepays	15,895	-	15,895
Restricted assets - cash and cash equivalents	-	8,625	8,625
Capital assets, net			
Assets not being depreciated	377,008	565,431	942,439
Assets being depreciated	695,232	1,484,197	2,179,429
Total assets	<u>1,679,389</u>	<u>4,095,706</u>	<u>5,775,095</u>
Liabilities			
Accounts payable and accrued expenses	44,325	75,690	120,015
Non-current liabilities:			
Due within one year	899	-	899
Due in more than one year	-	660,000	660,000
Total liabilities	<u>45,224</u>	<u>735,690</u>	<u>780,914</u>
Net Assets			
Invested in capital assets, net of related debt	1,071,341	1,389,628	2,460,969
Restricted for:			
Capital projects	42,654	-	42,654
Unrestricted	520,170	1,970,388	2,490,558
Total net assets	<u>\$ 1,634,165</u>	<u>\$ 3,360,016</u>	<u>\$ 4,994,181</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

<u>Functions / Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Primary government				
Governmental activities:				
General government	\$ 173,809	\$ 100,930	\$ -	\$ (72,879)
Public safety	171,365	615	-	(170,750)
Public works	142,150	-	-	(142,150)
Culture and recreation	36,695	-	-	(36,695)
General services	173,280	-	5,267	(168,013)
Interest on long-term debt	11,712	-	-	(11,712)
Total governmental activities	<u>709,011</u>	<u>101,545</u>	<u>5,267</u>	<u>(602,199)</u>
Business-type activities:				
Sewer	150,672	105,382	-	(45,290)
Water	132,352	128,938	-	(3,414)
Senior housing	167,998	143,775	-	(24,223)
Total business-type activities	<u>451,022</u>	<u>378,095</u>	<u>-</u>	<u>(72,927)</u>
Total primary government	<u>\$ 1,160,033</u>	<u>\$ 479,640</u>	<u>\$ 5,267</u>	<u>\$ (675,126)</u>

continued...

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF ACTIVITIES (CONCLUDED)

FOR THE YEAR ENDED JUNE 30, 2008

Functions/Programs	Governmental Activities	Business-type Activities	Total
Change in net assets			
Net (expense) revenue	\$ (602,199)	\$ (72,927)	\$ (675,126)
General revenues:			
Property taxes	470,556	-	470,556
Grants and contributions not restricted to specific programs	160,529	-	160,529
Unrestricted investment earnings	7,469	55,865	63,334
Miscellaneous general revenues	44,954	815,158	860,112
Total general revenues	683,508	871,023	1,554,531
Change in net assets	81,309	798,096	879,405
Net assets, beginning of year	1,552,856	2,561,920	4,114,776
Net assets, end of year	\$ 1,634,165	\$ 3,360,016	\$ 4,994,181

The accompanying notes are an integral part of these financial statements.

FUND FINANCIAL STATEMENTS

CITY OF COLEMAN
BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2008

	<u>GENERAL</u>	<u>MAJOR STREETS</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTALS</u>
ASSETS				
Cash and cash equivalents	\$ 169,986	\$ 128,546	\$ 64,725	\$ 363,257
Certificates of deposits	88,755	-	42,654	131,409
Accounts receivable	21,162	-	-	21,162
Prepays	15,895	-	-	15,895
Due from other funds	22,482	-	-	22,482
Due from State	19,017	6,810	2,366	28,193
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 337,297</u>	<u>\$ 135,356</u>	<u>\$ 109,745</u>	<u>\$ 582,398</u>
LIABILITIES AND FUND EQUITY				
LIABILITIES				
Accounts payable	\$ 31,872	\$ 3,457	\$ -	\$ 35,329
Accrued liabilities	6,648	-	-	6,648
Due to other funds	13,641	14,149	953	28,743
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>52,161</u>	<u>17,606</u>	<u>953</u>	<u>70,720</u>
FUND EQUITY				
Fund balances				
Reserved for:				
Capital projects	-	-	42,654	42,654
Unreserved - undesignated, reported in:				
General fund	285,136	-	-	285,136
Special revenue funds	-	117,750	66,138	183,888
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND EQUITY	<u>285,136</u>	<u>117,750</u>	<u>108,792</u>	<u>511,678</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 337,297</u>	<u>\$ 135,356</u>	<u>\$ 109,745</u>	<u>\$ 582,398</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS

JUNE 30, 2008

Fund balances - total governmental funds	\$ 511,678
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	1,220,023
Deduct - accumulated depreciation	(403,143)

Certain liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - capital lease payable	(899)
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An internal service fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal services fund are partially included in governmental activities in the statement of net assets.

Add - net assets of governmental activities accounted for in the internal service fund	<u>306,506</u>
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Net assets of governmental activities	<u><u>\$ 1,634,165</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	GENERAL	MAJOR STREETS	OTHER GOVERNMENTAL FUNDS	TOTALS
Revenues				
Taxes	\$ 263,843	\$ 19,925	\$ 74,966	\$ 358,734
Intergovernmental revenue -				
State of Michigan	160,529	83,010	28,812	272,351
Building permits	-	-	15,428	15,428
Charges for services	75,740	-	-	75,740
Fines and forfeits	1,721	-	-	1,721
Other revenues	57,284	184	7,584	65,052
Total revenues	559,117	103,119	126,790	789,026
Expenditures				
General government	129,849	-	6,648	136,497
Public safety	164,409	-	-	164,409
Public works	135,070	-	66,290	201,360
Recreation and cultural	38,108	-	-	38,108
General services	-	132,887	-	132,887
Other functions	25,925	-	-	25,925
Debt service	1,851	-	-	1,851
Total expenditures	495,212	132,887	72,938	701,037
Revenues over (under) expenditures	63,905	(29,768)	53,852	87,989
Other financing sources (uses)				
Transfer in	-	54,689	15,229	69,918
Transfer out	(9,000)	-	(60,918)	(69,918)
Total other financing sources (uses)	(9,000)	54,689	(45,689)	-
Net changes in fund balances	54,905	24,921	8,163	87,989
Fund balances, beginning of year	230,231	92,829	100,629	423,689
Fund balances, end of year	\$ 285,136	\$ 117,750	\$ 108,792	\$ 511,678

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds	\$ 87,989
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - capital additions	25,896
Deduct - depreciation expense	(39,074)

Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Add - principal payments on long-term liabilities	1,720
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An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. The net revenue attributable to that fund is partially reported with governmental activities.

Add - interest revenue from governmental internal service fund	124
Deduct - interest expense in internal service fund	(9,861)
Add - gain on disposal of capital assets	1,170
Add - net operating income from governmental activities in internal service fund	13,345

Change in net assets of governmental activities	<u><u>\$ 81,309</u></u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes	\$ 237,850	\$ 263,355	\$ 263,843	\$ 488
Intergovernmental revenue -				
State of Michigan	169,533	162,655	160,529	(2,126)
Charges for services	93,063	85,970	75,740	(10,230)
Fines and forfeits	2,700	1,850	1,721	(129)
Other revenues	45,250	56,569	57,284	715
Total revenues	548,396	570,399	559,117	(11,282)
Expenditures				
General government	133,294	142,549	129,849	(12,700)
Public safety	155,572	176,558	164,409	(12,149)
Public works	156,113	150,591	135,070	(15,521)
Recreation and cultural	40,950	48,575	38,108	(10,467)
Other functions	48,017	25,907	25,925	18
Debt service	5,450	2,260	1,851	(409)
Total expenditures	539,396	546,440	495,212	(51,228)
Revenues over (under) expenditures	9,000	23,959	63,905	39,946
Other financing (uses)				
Transfer out	(9,000)	(9,000)	(9,000)	-
Net changes in fund balance	13,343	14,959	54,905	39,946
Fund balance, beginning of year	230,231	230,231	230,231	-
Fund balance, end of year	\$ 243,574	\$ 245,190	\$ 285,136	\$ 39,946

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL MAJOR STREETS

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Taxes				
Midland County road tax	\$ 16,100	\$ 19,900	\$ 19,925	\$ 25
Intergovernmental revenue				
Gas and weight tax	80,700	80,700	80,198	(502)
Build Michigan Program	2,820	2,820	2,812	(8)
Total intergovernmental revenue	83,520	83,520	83,010	(510)
Other	350	175	184	9
Total revenues	99,970	103,595	103,119	(476)
Expenditures				
Routine maintenance	79,250	84,750	74,253	(10,497)
Winter maintenance	47,450	54,058	54,057	(1)
Administration	4,135	4,800	4,577	(223)
Construction	8,000	-	-	-
Total expenditures	138,835	143,608	132,887	(10,721)
Revenues over (under) expenditures	(38,865)	(40,013)	(29,768)	10,245
Other financing sources (uses)				
Transfer in	54,689	54,689	54,689	-
Net change in fund balance	15,824	14,676	24,921	10,245
Fund balance, beginning of year,	92,829	92,829	92,829	-
Fund balance, end of year	<u>\$ 108,653</u>	<u>\$ 107,505</u>	<u>\$ 117,750</u>	<u>\$ 10,245</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

JUNE 30, 2008

	SEWER FUND	WATER FUND	SENIOR HOUSING FUND	TOTAL	INTERNAL SERVICE FUND
ASSETS					
Current assets					
Cash and cash equivalents	\$ 21,936	\$ 108,131	\$ 332,319	\$ 462,386	\$ 40,033
Certificates of deposit	177,300	29,257	1,310,808	1,517,365	-
Accounts receivable	29,026	35,876	-	64,902	-
Due from other funds	-	-	-	-	47,982
Customer deposits	-	-	8,625	8,625	-
Total current assets	<u>228,262</u>	<u>173,264</u>	<u>1,651,752</u>	<u>2,053,278</u>	<u>88,015</u>
Capital assets					
Land	52,489	8,800	5,727	67,016	-
Construction in progress	-	-	498,415	498,415	-
Land improvements	33,200	-	-	33,200	-
Buildings	21,980	533,502	-	555,482	45,945
Senior housing complex	-	-	1,389,363	1,389,363	-
Water collection system	-	476,142	-	476,142	-
Sewer disposal system	1,093,487	-	-	1,093,487	-
Equipment	33,167	17,469	-	50,636	474,593
Less accumulated depreciation	<u>(1,083,522)</u>	<u>(668,598)</u>	<u>(361,993)</u>	<u>(2,114,113)</u>	<u>(265,178)</u>
Total capital assets	<u>150,801</u>	<u>367,315</u>	<u>1,531,512</u>	<u>2,049,628</u>	<u>255,360</u>
Total assets	<u>379,063</u>	<u>540,579</u>	<u>3,183,264</u>	<u>4,102,906</u>	<u>343,375</u>
LIABILITIES					
Current liabilities					
Accounts payable	314	1,087	65,664	67,065	2,348
Due to other funds	24,077	7,384	8,052	39,513	2,208
Customer deposits	-	-	8,625	8,625	-
Total current liabilities	<u>24,391</u>	<u>8,471</u>	<u>82,341</u>	<u>115,203</u>	<u>4,556</u>
Long-term liabilities					
Bonds Payable	-	-	660,000	660,000	-
Total liabilities	<u>24,391</u>	<u>8,471</u>	<u>742,341</u>	<u>775,203</u>	<u>4,556</u>
Net Assets					
Invested in capital assets, net of related debt	150,801	367,315	871,512	1,389,628	255,360
Unrestricted	<u>203,871</u>	<u>164,793</u>	<u>1,569,411</u>	<u>1,938,075</u>	<u>83,459</u>
Total Net Assets	<u>\$ 354,672</u>	<u>\$ 532,108</u>	<u>\$ 2,440,923</u>	<u>3,327,703</u>	<u>\$ 338,819</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>32,313</u>	
Net assets of business-type activities on the governmental-wide statement of net assets				<u>\$ 3,360,016</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2008

	SEWER FUND	WATER FUND	SENIOR HOUSING FUND	TOTAL	INTERNAL SERVICE FUND
Operating revenues					
Charges for services	\$ 95,371	\$ 122,485	\$ -	\$ 217,856	\$ 143,309
Tap-in fees	8,300	4,175	-	12,475	-
Penalties on service revenue	1,711	2,278	-	3,989	-
Rental income	-	11,249	143,775	155,024	-
Insurance recoveries	-	-	-	-	-
Miscellaneous	-	70	803,839	803,909	-
Total operating revenues	105,382	140,257	947,614	1,193,253	143,309
Operating expenses					
Wages and fringes	72,655	72,386	42,827	187,868	53,924
Utilities	4,848	8,739	18,618	32,205	-
Equipment rental	19,257	13,471	5,705	38,433	-
Operating supplies	24,657	14,920	27,725	67,302	34,753
Miscellaneous	-	1,602	4,125	5,727	-
Professional fees	3,500	475	2,500	6,475	-
Depreciation	28,206	21,843	37,939	87,988	27,898
Repairs & maintenance	-	-	15,351	15,351	-
Insurance	-	-	5,838	5,838	8,500
Contracted services	-	630	8,096	8,726	-
Total operating expenses	153,123	134,066	168,724	455,913	125,075
Operating income (loss)	(47,741)	6,191	778,890	737,340	18,234
Nonoperating revenues (expenses)					
Interest revenue	8,606	1,660	45,599	55,865	124
Interest expense	-	-	-	-	(9,861)
Gain on disposal of capital assets	-	-	-	-	1,170
Total nonoperating revenues	8,606	1,660	45,599	55,865	(8,567)
Change in net assets	(39,135)	7,851	824,489	793,205	9,667
Net assets, beginning of year	393,807	524,257	1,616,434	2,534,498	329,152
Net assets, end of year	\$ 354,672	\$ 532,108	\$ 2,440,923	\$ 3,327,703	\$ 338,819

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS OF THE ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2008

Change in net assets - all enterprise funds	\$ 793,205
An internal service fund is used by management to charge the costs of certain equipment usage to individual funds. The net revenue (expense) attributable to that fund is partially reported with business-type activities.	
Add - net operating income from business-type activities in internal service fund	<u>4,891</u>
Change in net assets of business-type activities	<u><u>\$ 798,096</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF COLEMAN

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	SEWER FUND	WATER FUND	SENIOR HOUSING FUND	TOTAL	INTERNAL SERVICE FUND
Cash flows from operating activities					
Cash received from customers	\$ 104,139	\$ 142,024	\$ 947,614	\$ 1,193,777	\$ -
Cash received from interfund services provided	-	-	5,657	5,657	132,907
Cash payments for/received from interfund services	13,120	(732)	-	12,388	-
Cash payments to suppliers for goods and services	(54,765)	(40,490)	(24,022)	(119,277)	(42,248)
Cash payments to employees for services	(72,655)	(72,386)	(42,827)	(187,868)	(53,924)
Net cash provided by (used in) operating activities	(10,161)	28,416	886,422	904,677	36,735
Cash from capital and related financing activities					
Principal payments on installment contracts	-	-	-	-	(57,175)
Interest payments on installment contracts	-	-	-	-	(9,861)
Issuance of long-term debt	-	-	660,000	660,000	-
Acquisition of capital assets	-	-	(498,415)	(498,415)	(11,110)
Net cash provided by (used in) capital and related financing activities	-	-	161,585	161,585	(78,146)
Cash from investing activities					
Interest on investments	8,606	1,660	45,599	55,865	124
Investment in certificates of deposit	(5,018)	(1,373)	(780,935)	(787,326)	-
Net cash provided by (used in) investing activities	3,588	287	(735,336)	(731,461)	124
Net increase (decrease) in cash and cash equivalents	(6,573)	28,703	312,671	334,801	(41,287)
Cash and cash equivalents, beginning of year	28,509	79,428	19,648	127,585	81,320
Cash and cash equivalents, end of year	\$ 21,936	\$ 108,131	\$ 332,319	\$ 462,386	\$ 40,033
Non-cash investing, capital and financing transactions					
All dividends and interest income were immediately reinvested in the cash management funds					
A non-cash transaction occurred when the City received \$3,090 for a trade in on a new asset valued at \$14,200.					
Cash from operating activities					
Operating income (loss)	\$ (47,741)	\$ 6,191	\$ 778,890	\$ 737,340	\$ 18,234
Adjustments to reconcile operating income (loss) to net cash (used) provided by operating activities:					
Depreciation	28,206	21,843	37,939	87,988	27,898
Changes in operating assets and liabilities which provided (used) cash:					
Accounts receivable	(1,243)	1,767	-	524	-
Due from other funds	-	-	-	-	(9,619)
Accounts payable	(2,503)	(653)	63,936	60,780	1,005
Due to other funds	13,120	(732)	5,657	18,045	(783)
Net cash provided by (used in) operations	\$ (10,161)	\$ 28,416	\$ 886,422	\$ 904,677	\$ 36,735

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

City of Coleman (the “City”) has determined that no entities should be consolidated into its basic financial statements as component units. The criteria for including a component unit includes significant operational or financial relationships with the City. Therefore, the reporting entity consists only of the primary government.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for Agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *major streets fund* accounts for the revenue and the related operation and maintenance of the major street system.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

The government reports the following major proprietary funds:

The *sewer fund* accounts for the activities of the government's sewage disposal and treatment system.

The *water fund* accounts for the activities of the government's water distribution and treatment system.

The *senior housing fund* accounts for the activities of the government's senior housing complex.

Additionally, the City reports the following fund types:

The *internal service fund* accounts for the equipment rental services provided to other departments or agencies of the government on a cost reimbursement basis.

Agency funds are used to account for the assets held for other governments in an agency capacity. At the end of the June 30, 2008 fiscal year, there were no balances in the agency funds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer, water and senior housing enterprise funds are charges to customers for sales and services. The sewer and water funds also recognize as operating revenues the portion of tap-in fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

ASSETS, LIABILITIES AND EQUITY

Deposits and investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are reported at fair value.

Receivables and payables

All receivables and payables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

City property taxes are attached as an enforceable lien on property as of December 1. Taxes are levied December 1 and are due without penalty on or before February 14. These tax bills include the City's own property taxes and taxes billed on behalf of the school districts within the City's boundaries and Midland County.

Real property taxes not collected as of March 1 are turned over to Midland County for collection, which advances the City 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer.

Prepaid items

Certain payments made to vendors are for services applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted assets

Proceeds received from tenants of the Pere Marquette Senior Housing facility that represent refundable deposits have been classified as restricted assets.

Capital assets

Capital assets, which include property, plant, and equipment (the City owns infrastructure assets such as water and sewer systems and roads and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

The City has capitalized infrastructure that has been acquired since the adoption of GASB 34.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10
Public domain infrastructure	5-50
Building	40
Senior housing complex	40
Equipment	3
Collections and disposal systems	5-10

Compensated absences

The City does not allow employees to accumulate substantial levels of compensated absences from year to year. Employees do not receive a pay off of the accumulated compensated absences at termination.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETS AND BUDGETARY ACCOUNTING

The City follows these procedures in establishing the budgetary data reflected in the financial statements.

- Prior to June 1, the departments submit to the City Council a proposed departmental operating budget for the fiscal year commencing the following July 1. This operating budget includes proposed expenditures and means of financing them.
- Public hearings are conducted at the governmental center to obtain taxpayer comments.
- Prior to July 1, the budget is legally enacted through passage of an ordinance.
- All budget appropriations lapse at year end. Budgetary amounts reported herein are as originally adopted, or as amended by the City Council throughout the operating year.
- Annual budgets are legally adopted and formal budgetary integration is employed as a management control device during the year for the General fund and Special Revenue Funds.
- Budgets for the General and Special Revenue Funds are prepared on a modified accrual basis, while the Internal Service and Enterprise Funds informational budgets are prepared using the accrual basis of accounting. Both methods are consistent with generally accepted accounting principles (GAAP).
- The legal level of control is at the activity level for the General and Special Revenue Funds.
- Revisions that alter the total expenditures of any fund or total department expenditures in the General Fund must be approved by the City Council

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The following funds had expenditures exceeding budgeted appropriations at the activity level, which is the City's legal level of budgetary control for the year ended June 30, 2008:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund			
Other Functions	\$ 25,907	\$ 25,925	\$ (18)

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

III. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments as shown in the financial statements to the City's deposits and investments is as follows:

	<u>Total</u>
Government-wide Financial Statement Captions:	
Cash and cash equivalents	\$ 2,514,450
Restricted assets - cash and cash equivalents	<u>8,625</u>
	<u><u>\$ 2,523,075</u></u>
Notes to Financial Statements:	
Deposits	\$ 2,523,025
Cash on hand	<u>50</u>
	<u><u>\$ 2,523,075</u></u>

Investment and deposit risk:

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The City has no investments for which ratings are required.

Custodial credit risk deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end, \$2,018,161 of the City's bank balance of \$2,218,161 was exposed to custodial credit risk because it was uninsured and uncollateralized.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

The City is authorized by statute to invest surplus funds in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the Investment Company Act of 1940, limited to mutual fund securities whose intention is to maintain a net asset value of \$1.00 per share.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The City Council is authorized to designate depositories for City funds, and to determine that the funds are invested in accordance with State of Michigan statutory authority.

The City's deposits are in accordance with statutory authority.

B. RECEIVABLES

Receivables as of year end for the government's governmental and business-type activities in the aggregate, are as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
Receivables:		
Accounts	\$ 21,162	\$ 64,902
Intergovernmental	<u>28,193</u>	<u>-</u>
Total receivables	<u>\$ 49,355</u>	<u>\$ 64,902</u>

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

C. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated – land	\$ 377,008	\$ -	\$ -	\$ 377,008
Capital assets being depreciated:				
Buildings	342,531	-	-	342,531
Infrastructure	325,964	25,896	-	351,860
Public safety	81,865	-	-	81,865
Machinery and equipment	<u>584,617</u>	<u>14,200</u>	<u>(11,520)</u>	<u>587,297</u>
Total capital assets being depreciated	<u>1,334,977</u>	<u>40,096</u>	<u>(11,520)</u>	<u>1,363,553</u>
Less accumulated depreciation				
Buildings	(213,862)	(7,858)	-	(221,720)
Infrastructure	(39,300)	(19,579)	-	(58,879)
Public safety	(66,303)	(6,957)	-	(73,260)
Machinery and equipment	<u>(291,484)</u>	<u>(32,578)</u>	<u>9,600</u>	<u>(314,462)</u>
Total accumulated depreciation	<u>(610,949)</u>	<u>(66,972)</u>	<u>9,600</u>	<u>(668,321)</u>
Total capital assets being depreciated, net	<u>724,028</u>	<u>(26,876)</u>	<u>(1,920)</u>	<u>695,232</u>
Governmental activities capital assets, net	<u>\$ 1,101,036</u>	<u>\$ (26,876)</u>	<u>\$ (1,920)</u>	<u>\$ 1,072,240</u>

CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 67,016	\$ -	\$ -	\$ 67,016
Construction in progress	-	498,415	-	498,415
Total capital assets not being depreciated	<u>67,016</u>	<u>498,415</u>	<u>-</u>	<u>565,431</u>
Capital assets being depreciated:				
Buildings	555,484	-	-	555,484
Land improvements	33,200	-	-	33,200
Senior housing complex	1,389,363	-	-	1,389,363
Collection & disposal system	1,569,629	-	-	1,569,629
Equipment	<u>50,636</u>	<u>-</u>	<u>-</u>	<u>50,636</u>
Total capital assets being depreciated	<u>3,598,312</u>	<u>-</u>	<u>-</u>	<u>3,598,312</u>
Less accumulated depreciation:				
Buildings	(290,801)	(13,264)	-	(304,065)
Land improvements	(33,200)	-	-	(33,200)
Senior housing complex	(324,055)	(37,939)	-	(361,994)
Collection & disposal system	(1,330,089)	(36,294)	-	(1,366,383)
Equipment	<u>(47,982)</u>	<u>(491)</u>	<u>-</u>	<u>(48,473)</u>
Total accumulated depreciation	<u>(2,026,127)</u>	<u>(87,988)</u>	<u>-</u>	<u>(2,114,115)</u>
Total capital assets being depreciated, net	<u>1,572,185</u>	<u>(87,988)</u>	<u>-</u>	<u>1,484,197</u>
Business-type activities capital assets, net	<u>\$ 1,639,201</u>	<u>\$ 410,427</u>	<u>\$ -</u>	<u>\$ 2,049,628</u>

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General government	\$ 20,011
Public safety	6,956
Public works	36,906
Culture and recreation	<u>3,099</u>

Total depreciation expense – governmental activities	<u>\$ 66,972</u>
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Business-type activities:

Sewer	\$ 28,206
Water	21,843
Senior housing	<u>37,939</u>

Total depreciation expense – business-type activities	<u>\$ 87,988</u>
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D. PAYABLES

Accounts payable and accrued expenses as of year end for the City's governmental and business-type activities in the aggregate, are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Payables:		
Accounts	\$ 37,677	\$ 67,065
Payroll liabilities	<u>6,648</u>	<u>8,625</u>
Total payables	<u>\$ 44,325</u>	<u>\$ 75,690</u>

E. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of June 30, 2008, is as follows:

Due To	Due From							Total
	General	Major Streets	Other Governmental Funds	Senior Housing Complex	Sewer	Water	Internal Service	
General	\$ -	\$ 5,631	\$ 157	\$ 5,059	\$ 4,820	\$4,607	\$ 2,208	\$ 22,482
Internal Service	13,641	8,518	796	2,993	19,257	2,777	-	47,982
Total	<u>\$13,641</u>	<u>\$14,149</u>	<u>\$ 953</u>	<u>\$ 8,052</u>	<u>\$24,077</u>	<u>\$7,384</u>	<u>\$ 2,208</u>	<u>\$ 70,464</u>

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

The interfund receivables and payables for the City consist of amounts due to the General fund for fringe benefits paid by the General fund, and amounts due to the Equipment Rental internal service fund for equipment rental charges.

Transfer To	Transfers From		
	General	Other Governmental Funds	Total
Major Streets	\$ 9,000	\$ 45,689	\$ 54,689
Other Governmental Funds	-	15,229	15,229
Total	\$ 9,000	\$ 60,918	\$ 69,918

The interfund transfers from the General Fund and the Street & Sidewalk Improvement Special Revenue Fund are to subsidize projects accounted for in the Major and Local Streets Special Revenue funds.

F. LONG-TERM DEBT

Long-term obligations for the year ended June 30, 2008, were as follows:

<u>Balance</u> <u>July 1,</u> <u>2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30,</u> <u>2008</u>	<u>Due Within</u> <u>One Year</u>
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GOVERNMENTAL ACTIVITIES

Copy machine, original issue of \$6,629 with annual maturities of \$860 to \$899 maturing through December 31, 2008, bearing interest of 5.969%.	\$ 2,618	\$ -	\$ (1,719)	\$ 899	\$ 899
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2001 Sterling Dump Truck, original issue of \$38,000 with annual maturities of \$5,961 to \$7,648 maturing through July 1, 2010, bearing interest of 9.3%. Repaid during fiscal year.	24,393	-	(24,393)	-	-
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CITY OF COLEMAN
NOTES TO FINANCIAL STATEMENTS

	<u>Balance</u> <u>July 1,</u> <u>2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30,</u> <u>2008</u>	<u>Due Within</u> <u>One Year</u>
2006 GMAC Truck, original issue of \$32,872 with annual maturities of \$7,470 to \$8,999 maturing through August 23, 2008, bearing interest of 6.4%. Repaid during fiscal year.	\$ 16,405	\$ -	\$(16,405)	\$ -	\$ -
Street Sweeper, original issue of \$20,000 with annual maturities of \$3623 to \$4,396 maturing through August 29, 2010, bearing interest of 4.95%. Repaid during fiscal year.	<u>16,377</u>	<u>-</u>	<u>(16,377)</u>	<u>-</u>	<u>-</u>
TOTAL LONG-TERM DEBT	<u>\$ 59,793</u>	<u>\$ -</u>	<u>\$(58,894)</u>	<u>\$ 899</u>	<u>\$ 899</u>

	<u>Balance</u> <u>July 1,</u> <u>2007</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance</u> <u>June 30,</u> <u>2008</u>	<u>Due Within</u> <u>One Year</u>
Business Type Activities					
Facilities Revenue Bond Series 2008 with annual maturities of \$45,000 to 75,000 maturing through the year 2020, bearing interest not to exceed 6%	<u>\$ -</u>	<u>\$660,000</u>	<u>\$ -</u>	<u>\$660,000</u>	<u>\$ -</u>

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

The annual requirements to pay future principal and interest on the governmental installment contracts are as follows:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ 899	\$ 27
<u>Year ending June 30,</u>	<u>Business Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2009	\$ -	\$ 31,174
2010	45,000	24,863
2011	50,000	23,011
2012	50,000	21,061
2013	55,000	19,013
2014-2018	315,000	59,964
2019-2020	<u>145,000</u>	<u>5,754</u>
	<u>\$ 660,000</u>	<u>\$ 184,840</u>

G. LEASES

The City's leasing operation consists of leasing apartments in the senior housing complex. Leases are generally signed for one-year terms and are classified as operating leases. The City's investment in property held for lease at June 30, 2008, consists of the following:

Senior housing complex	\$ 1,893,505
Less accumulated depreciation	<u>(361,994)</u>
Total	<u>\$ 1,531,511</u>

Rental income from the leasing operation was \$143,775 for the year ended June 30, 2008.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

IV. OTHER INFORMATION

A. DEFINED BENEFIT PENSION PLAN AND POST-RETIREMENT BENEFITS

Plan Description

The City's defined benefit pension plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan 48917 or by calling (800) 767-6377.

Funding Policy

The City is required to contribute at an actuarially determined rate; the current rate is 19.05% of annual covered payroll. City employees are required to contribute 3 - 5% of their annual covered payroll. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost

For the year ended June 30, 2008, the City's annual pension cost of \$59,656 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the December 31, 2005, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.50% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect market value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2007, the date of the latest actuarial valuation, was 29 years.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

<u>Three-Year Trend Information</u>						
<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>			
6/30/06	\$44,589	100%	\$0			
6/30/07	49,840	100	0			
6/30/08	59,656	100	0			

<u>Schedule of Funding Progress</u>						
<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) -Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a/c)</u>
12/31/05	\$1,022,741	\$1,635,455	\$612,714	63%	\$272,572	225%
12/31/06	1,085,779	1,751,396	665,617	62	289,835	230%
12/31/07	1,143,374	1,814,299	670,925	63	301,686	222%

Post-retirement Healthcare

As authorized by the City Commission, the City has elected to provide post-retirement healthcare benefits to certain retirees and their beneficiaries. All of the City's union employees become eligible for post-retirement health care benefits if they reach normal retirement age and are eligible for retirement benefits from the City. Currently, there is only one retiree eligible to receive benefits. The City pays the full cost of coverage for these benefits. The cost of retiree health care benefits is recognized as an expense as claims are paid. Retirees are currently not required to contribute. The amount of those costs for the year ended June 30, 2008, was \$5,344.

B. PROPERTY TAXES

City property taxes are attached as an enforceable lien on property as of July 1 and are due without penalty on or before September 30. These summer tax bills include the City's own property taxes, taxes billed on behalf of the community college which covers the district in which the City is located, and the County operating millage. Real property taxes not collected as of March 1 are turned over to Midland County for collection, which advances the City 100% for the delinquent taxes. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Property taxes levied in July of each year are recognized as revenue in that year.

CITY OF COLEMAN

NOTES TO FINANCIAL STATEMENTS

The City acts as a collection agent for the State of Michigan, Midland County, the intermediate school district, the local school district, the community college and the library located within the City limits for winter property taxes.

Taxes collected on behalf of the school districts, Midland County, the State of Michigan and the library are turned over to the districts, County, State, and library immediately following collection and are accounted for in designated agency funds.

C. CONTINGENCIES AND COMMITMENTS

Under the terms of various Federal and State grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. However, City management does not believe such disallowances, if any, will be material to the financial position of the City.

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**COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES**

CITY OF COLEMAN

GENERAL FUND

SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008
(With comparative actual amounts for the year ended June 30, 2007)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2007
Taxes					
Current property taxes	\$ 228,450	\$ 252,941	\$ 253,429	\$ 488	\$ 239,401
Tax administration fees	9,150	10,300	10,300	-	10,653
Trailer park fees	250	114	114	-	374
Total taxes	237,850	263,355	263,843	488	250,428
Intergovernmental revenue -					
State of Michigan					
Sales tax	168,333	161,443	159,317	(2,126)	165,733
Liquor license	1,200	1,212	1,212	-	1,196
Total intergovernmental revenue -	169,533	162,655	160,529	(2,126)	166,929
Charges for services					
Refuse collections	92,413	82,793	72,563	(10,230)	63,864
Weed cutting	500	3,022	3,022	-	533
Duplicating and photostats	100	55	55	-	96
Board of appeal fees	50	50	50	-	50
Inspections	-	50	50	-	199
Total charges for services	93,063	85,970	75,740	(10,230)	64,742
Fines and forfeits					
Library fines and 75th District Court	2,700	1,850	1,721	(129)	2,648
Other revenue					
Miscellaneous	42,750	52,169	52,440	271	14,836
Interest income	2,500	4,400	4,844	444	3,763
Total other revenue	45,250	56,569	57,284	715	18,599
Total revenues	\$ 548,396	\$ 570,399	\$ 559,117	\$ (11,282)	\$ 503,346

CITY OF COLEMAN
GENERAL FUND
SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2007
General government					
Mayor and council	\$ 38,150	\$ 44,414	\$ 43,722	\$ (692)	\$ 39,683
Assessor	7,899	8,233	8,179	(54)	7,310
Treasurer	16,025	16,540	14,163	(2,377)	12,778
Elections	1,550	1,526	1,524	(2)	1,450
Clerk	14,310	9,482	7,932	(1,550)	7,628
Public property	54,500	61,694	54,141	(7,553)	53,951
Planning commission	860	660	188	(472)	50
Total general government	133,294	142,549	129,849	(12,700)	122,850
Public safety					
Police department	126,803	146,613	134,215	(12,398)	133,739
Fire protection	28,769	29,945	30,194	249	29,126
Total public safety	155,572	176,558	164,409	(12,149)	162,865
Public works					
Sanitation	92,413	82,793	75,307	(7,486)	77,227
Storm sewers	9,850	5,900	2,860	(3,040)	5,307
Department of public works	53,850	61,898	56,903	(4,995)	53,740
Total public works	156,113	150,591	135,070	(15,521)	136,274
Recreation and cultural - Parks department	40,950	48,575	38,108	(10,467)	40,113
Other functions - insurance	48,017	25,907	25,925	18	45,968
Debt service	5,450	2,260	1,851	(409)	7,681
Total expenditures	539,396	546,440	495,212	(51,228)	515,751
Other financing uses - transfer out	9,000	9,000	9,000	-	9,000
Total expenditures and financing uses	\$ 548,396	\$ 555,440	\$ 504,212	\$ (51,228)	\$ 524,751

CITY OF COLEMAN

GENERAL FUND DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2007
General government					
Mayor and council					
Legislative wages and benefits	\$ 1,250	\$ 1,250	\$ 1,250	\$ -	\$ 1,250
Office supplies	2,200	2,700	3,429	729	2,189
Legal fees	10,000	10,000	6,942	(3,058)	7,436
Audit and accounting	4,500	4,650	4,650	-	4,764
Board of Review fees and per diem	500	484	484	-	450
Newspaper notices	1,700	1,800	1,898	98	1,081
Dues	1,200	1,230	1,230	-	1,186
Telephone	1,100	1,100	1,063	(37)	809
Computer replacement	700	700	700	-	-
Zoning ordinance update	6,000	-	-	-	9,856
Other administrative costs	9,000	20,500	22,076	1,576	10,662
Total mayor and council	38,150	44,414	43,722	(692)	39,683
Assessor					
Wages and benefits	6,884	6,808	6,795	(13)	6,400
Other	1,015	1,425	1,384	(41)	910
Total assessor	7,899	8,233	8,179	(54)	7,310
Treasurer					
Wages and benefits	12,000	12,515	11,042	(1,473)	10,061
Office supplies	2,500	2,500	1,667	(833)	1,844
Other	1,525	1,525	1,454	(71)	873
Total treasurer	16,025	16,540	14,163	(2,377)	12,778
Elections					
Wages and benefits	1,200	1,207	1,207	-	1,400
Office supplies	100	181	181	-	50
Other	250	138	136	(2)	-
Total elections	1,550	1,526	1,524	(2)	1,450
Clerk					
Wages and benefits	6,600	4,500	2,907	(1,593)	2,308
Education	200	-	-	-	135
Office supplies	2,000	2,000	1,749	(251)	1,471
Repairs and maintenance	250	106	106	-	-
Other	5,260	2,876	3,170	294	3,714
Total clerk	14,310	9,482	7,932	(1,550)	7,628

CITY OF COLEMAN

GENERAL FUND

DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES BUDGET AND ACTUAL (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2008

(With comparative actual amounts for the year ended June 30, 2007)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2007
General government (continued)					
Public property - city hall and grounds					
Utilities	\$ 46,050	\$ 52,544	\$ 45,071	\$ (7,473)	\$ 46,843
Repair and maintenance	8,450	9,150	9,070	(80)	7,108
Total public property - city hall and grounds	54,500	61,694	54,141	(7,553)	53,951
Planning commission					
Other	860	660	188	(472)	50
Total general government	133,294	142,549	129,849	(12,700)	122,850
Public safety					
Police department					
Salaries, wages and benefits	108,455	125,261	113,659	(11,602)	119,050
Supplies	4,200	4,200	3,665	(535)	3,425
Clothing	-	-	-	-	268
Laundry and cleaning	125	125	48	(77)	97
Legal fees	1,750	5,000	4,401	(599)	836
Telephone	1,700	2,690	2,629	(61)	2,416
Equipment repair and maintenance	4,398	2,262	2,082	(180)	3,573
Gas and oil	3,000	3,800	3,281	(519)	2,689
Training	1,000	1,000	-	(1,000)	1,285
Other	2,175	2,275	4,450	2,175	100
Total police department	126,803	146,613	134,215	(12,398)	133,739
Fire protection					
Contractual services - fire protection	28,769	29,945	30,194	249	29,126
Total public safety	\$ 155,572	\$ 176,558	\$ 164,409	\$ (12,149)	\$ 162,865

CITY OF COLEMAN

**GENERAL FUND
DETAIL SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES
BUDGET AND ACTUAL (CONTINUED)**

FOR THE YEAR ENDED JUNE 30, 2008
(With comparative actual amounts for the year ending June 30, 2007)

	Original Budget	Amended Budget	Actual	Over (Under) Budget	2007
Public works					
Sanitation					
Wages and benefits	\$ 19,335	\$ 13,560	\$ 10,466	\$ (3,094)	\$ 12,226
Supplies	500	500	229	(271)	505
Equipment rental	14,800	8,600	8,275	(325)	11,285
Contracted services	57,778	60,133	56,337	(3,796)	53,211
Total sanitation	92,413	82,793	75,307	(7,486)	77,227
Storm sewers					
Wages and benefits	5,850	3,700	1,139	(2,561)	3,428
Supplies	2,000	1,000	787	(213)	247
Equipment rental	2,000	1,200	934	(266)	1,632
Total storm sewers	9,850	5,900	2,860	(3,040)	5,307
Department of public works					
Wages and benefits	28,150	31,750	29,707	(2,043)	32,408
Repairs and maintenance	12,200	12,601	11,465	(1,136)	9,180
Telephone	1,500	1,875	1,769	(106)	1,445
Equipment rental	12,000	6,000	4,289	(1,711)	9,728
Other	-	9,672	9,673	1	979
Total department of public works	53,850	61,898	56,903	(4,995)	53,740
Total public works	156,113	150,591	135,070	(15,521)	136,274
Recreational and cultural - Parks department					
Wages and benefits	18,050	24,375	17,901	(6,474)	16,227
Utilities	1,700	1,700	1,382	(318)	2,098
Repairs and maintenance	2,200	500	177	(323)	490
Equipment rental	19,000	22,000	18,648	(3,352)	21,298
Total recreational and cultural - Parks department	40,950	48,575	38,108	(10,467)	40,113
Other functions - insurance	48,017	25,907	25,925	18	45,968
Debt service					
Principal	5,450	2,260	1,720	(540)	6,775
Interest and fiscal charges	-	-	131	131	906
Total debt service	5,450	2,260	1,851	(409)	7,681
Total expenditures	539,396	546,440	495,212	(51,228)	515,751
Other financing uses - transfers out	9,000	9,000	9,000	-	9,000
Total expenditures and other financing uses	\$ 548,396	\$ 555,440	\$ 504,212	\$ (51,228)	\$ 524,751

CITY OF COLEMAN

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

JUNE 30, 2008

	Special Revenue Funds			Capital Project Fund	
	Local Streets	Street and Sidewalk Improvement	Building Department	Capital Projects	Total
Assets					
Cash	\$ 22,949	\$ 24,727	\$ 17,049	\$ -	\$ 64,725
Certificates of deposit	-	-	-	42,654	42,654
Due from state	2,366	-	-	-	2,366
Total assets	<u>\$ 25,315</u>	<u>\$ 24,727</u>	<u>\$ 17,049</u>	<u>\$ 42,654</u>	<u>\$ 109,745</u>
Liabilities and fund balances					
Liabilities					
Due to other funds	<u>953</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>953</u>
Fund balances:					
Reserved	-	-	-	42,654	42,654
Unreserved:					
Undesignated	<u>24,362</u>	<u>24,727</u>	<u>17,049</u>	<u>-</u>	<u>66,138</u>
Total fund balances	<u>24,362</u>	<u>24,727</u>	<u>17,049</u>	<u>42,654</u>	<u>108,792</u>
Total liabilities and fund balances	<u>\$ 25,315</u>	<u>\$ 24,727</u>	<u>\$ 17,049</u>	<u>\$ 42,654</u>	<u>\$ 109,745</u>

CITY OF COLEMAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND

CHANGES IN FUND BALANCE

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2008

	Special Revenue Funds			Capital Project Fund	
	Local Streets	Street and Sidewalk Improvement	Building Department	Capital Projects	Total
Revenues					
Building permits	\$ -	\$ -	\$ 15,428	\$ -	\$ 15,428
Intergovernmental revenue - State of Michigan	28,812	-	-	-	28,812
Taxes	-	74,966	-	-	74,966
Other	104	5,420	25	2,035	7,584
Total revenues	28,916	80,386	15,453	2,035	126,790
Expenditures					
General government	-	-	6,648	-	6,648
Public works	34,400	31,890	-	-	66,290
Total expenditures	34,400	31,890	6,648	-	72,938
Revenues over (under) expenditures	(5,484)	48,496	8,805	2,035	53,852
Other financing uses					
Transfers out	-	(60,918)	-	-	(60,918)
Transfers in	15,229	-	-	-	15,229
Total other financing uses	15,229	(60,918)	-	-	(45,689)
Net change in fund balance	9,745	(12,422)	8,805	2,035	8,163
Fund balances, beginning of year	14,617	37,149	8,244	40,619	100,629
Fund balances, end of year	\$ 24,362	\$ 24,727	\$ 17,049	\$ 42,654	\$ 108,792

CITY OF COLEMAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL LOCAL STREETS

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Gas and weight tax	\$ 28,025	\$ 28,025	\$ 27,836	\$ (189)
Build Michigan Program	980	980	976	(4)
Total intergovernmental revenue	29,005	29,005	28,812	(193)
Other	300	125	104	(21)
Total revenues	29,305	29,130	28,916	(214)
Expenditures				
Routine maintenance	27,950	22,800	18,618	(4,182)
Winter maintenance	12,000	15,782	15,782	-
Administration	925	-	-	-
Construction	-	-	-	-
Capital outlay	3,659	-	-	-
Total expenditures	44,534	38,582	34,400	(4,182)
Other financing sources (uses)				
Transfers in	15,229	15,229	15,229	-
Net change in fund balance	-	5,777	9,745	3,968
Fund balance, beginning of year	14,617	14,617	14,617	-
Fund balance, end of year	\$ 14,617	\$ 20,394	\$ 24,362	\$ 3,968

CITY OF COLEMAN

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL STREET AND SIDEWALK IMPROVEMENT

FOR THE YEAR ENDED JUNE 30, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
Taxes				
Property taxes	\$ 76,149	\$ 74,966	\$ 74,966	\$ -
Other	<u>5,998</u>	<u>5,467</u>	<u>5,420</u>	<u>(47)</u>
Total revenues	82,147	80,433	80,386	(47)
Expenditures				
Administration	-	5,328	5,994	666
Construction	<u>21,229</u>	<u>26,562</u>	<u>25,896</u>	<u>(666)</u>
Total expenditures	<u>21,229</u>	<u>31,890</u>	<u>31,890</u>	<u>-</u>
Revenues over (under) expenditures	60,918	48,543	48,496	(47)
Other financing uses				
Transfer out	<u>(60,918)</u>	<u>(60,918)</u>	<u>(60,918)</u>	<u>-</u>
Net change in fund balance	-	(12,375)	(12,422)	(47)
Fund balance, beginning of year	<u>37,149</u>	<u>37,149</u>	<u>37,149</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 37,149</u></u>	<u><u>\$ 24,774</u></u>	<u><u>\$ 24,727</u></u>	<u><u>\$ (47)</u></u>

CITY OF COLEMAN

BUILDING DEPARTMENT SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2008

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Building permits	\$ 9,300	\$ 16,100	\$ 15,428	\$ (672)
Other	16	16	25	9
Total revenues	9,316	16,116	15,453	(663)
Expenditures				
Supplies	150	240	238	(2)
Education	1,500	700	410	(290)
Contractual services	7,666	7,666	6,000	(1,666)
Total expenditures	9,316	8,606	6,648	(1,958)
Net change in fund balance	-	7,510	8,805	1,295
Fund balance, beginning of year	8,244	8,244	8,244	-
Fund balance, end of year	\$ 8,244	\$ 15,754	\$ 17,049	\$ 1,295



REHMANN ROBSON

Certified Public Accountants

A member of **THE REHMANN GROUP**

August 22, 2008

To the City Council
City of Coleman

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Coleman* (the "City") for the year ended June 30, 2008, and have issued our report thereon dated August 22, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated April 5, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on April 5, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.

We evaluated the key factors assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statements may be affected by unusual transactions, including nonrecurring transactions. The following significant unusual accounting transactions occurred during the year:

- During 2008, the City issued revenue bonds for the Senior Housing Complex expansion in the amount of \$660,000.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following material misstatements detected as a result of audit procedures were corrected by management: the recording of year end accruals and the recording of depreciation and other capital asset adjustments.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated August 22, 2008.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Entity's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

City Council
City of Coleman
August 22, 2008
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This information is intended solely for the use of the governing body and management of the *City of Coleman* and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

CITY OF COLEMAN
SAS 112 COMMUNICATION
FOR THE YEAR ENDED JUNE 30, 2008

In planning and performing our audit of the financial statements of the City of Coleman (the “City”) as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control. We believe that a certain deficiencies, as described below, constitute material weaknesses.

The City’s written response to the material weaknesses identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

CITY OF COLEMAN
SAS 112 COMMUNICATION
FOR THE YEAR ENDED JUNE 30, 2008

Material Weaknesses

1) Lack of Adequate Controls to Produce Full-Disclosure GAAP Basis Financial Statements

Criteria: All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition: As is the case with many smaller and medium-sized entities, the government has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its *external* auditors, who cannot by definition be considered a part of the government's *internal* controls.

Cause: This condition was caused by the City's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the government to perform this task internally.

Effect: As a result of this condition, the City lacks internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

CITY OF COLEMAN

SAS 112 COMMUNICATION

FOR THE YEAR ENDED JUNE 30, 2008

**View of
Responsible
Officials:**

The City has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in its best interests to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

2) Segregation of Duties

Criteria:

Management is responsible for establishing and maintaining effective internal control over financial reporting safeguarding the City's assets.

Condition:

During the course of our audit, we noted instances where multiple key financial duties were being performed by the same individual and there were no mitigating controls in place to ensure effective internal controls. Specifically, we found that the following incompatible functions are being performed by the same individual:

- (1) The physical receipting of cash and checks is done by an individual who also prepares and makes bank deposits, reconciles the bank statements and has access to the general ledger.
- (2) The individual who prepares checks to pay vendors and employees also has access to the general ledger.
- (3) Journal entries are not reviewed by an independent employee.

Cause:

As is the case with many organizations of similar size, the City lacks a sufficient number of personnel in order to ensure a complete segregation of duties within its accounting function.

Effect:

The City's current system of internal control does not appear to have sufficient safeguards in place to ensure that fraud or abuse is prevented or can be detected in a timely manner. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and be able to conceal it.

CITY OF COLEMAN
SAS 112 COMMUNICATION
FOR THE YEAR ENDED JUNE 30, 2008

Recommendation: While there are no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

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